Glossary

Annual fees: Many credit card issuers charge an annual fee for giving you credit, typically $15 to $55.

Annual percentage rate (APR): The APR is a measure of the cost of credit expressed as a yearly interest rate. Usually, the lower the APR, the better for you. Be sure to check the fine print to see if your offer has a time limit. Your APR could be much higher after the initial limited offer.

Bankruptcy: Bankruptcy is considered the credit solution of last resort. Unlike negative credit information that stays on a credit report for seven years, bankruptcies stay on a credit report for 10 years. Bankruptcy can make it difficult to rent an apartment, buy a house or condo, get some types of insurance, get additional credit, and sometimes, get a job. In some cases, bankruptcy may not be an easily available option.

Budgeting: In many cases people design and stick to a budget to get their debt under control. A budget is a plan for how much money you have and how much money you spend. Sticking to a realistic budget allows you to pay off your debts and save for the proverbial rainy day.

Charge card: If you use a charge card, you must pay your balance in full when you get your regular statement.

Credit: Credit is more than just a plastic card used to buy things. It's your financial trustworthiness. Good credit means that your history of payments, employment and salary make you a good candidate for a loan, and creditors (those who lend money or services) will be more willing to work with you. Having good credit usually translates into lower payments and more ease in borrowing money. Bad credit, however, can be a big problem. It usually results from making payments late or borrowing too much money, and it means that you might have trouble getting a car loan, a credit card, a place to live and, sometimes, a job.

Credit card: You can use a credit card to buy things and pay for them over time. But remember, buying with credit is a loan; you have to pay the money back. What's more, if the credit card company sends you a check, it's not a gift. It's a loan you have to pay back. In addition to the cost of what you bought, you will owe a percentage of what you spent (interest) and sometimes an annual fee.

Credit counseling: Many universities, military bases, credit unions and housing authorities operate nonprofit financial counseling programs. Some charge a fee for their services. Creditors may be willing to accept reduced payments if you are working with a reputable program to create a debt repayment plan.

Credit scoring: Most creditors use credit scoring to evaluate your credit record. This involves using your credit application and report to get information about you, such as your annual income, outstanding debt, bill-paying history, and the number and types of accounts you have as well as how long you've had them.

Customer service: Customer service is something most people don't consider, or appreciate, until there's a problem. At the very least, look for a 24-hour toll-free telephone number when evaluating customer service.

Debit card: This card allows you to access the money in your checking or savings account electronically to make purchases.

Grace period: This is the time between the date of the credit card purchase and the date the company starts charging you interest.

Identity theft: Identity theft involves someone else using your personal information to create fraudulent accounts, to charge items to another person's existing accounts, or even to get a job.

Transaction fees and other charges: Most creditors charge a fee if you don't make a payment on time. Other common credit card fees include those for cash advances and going beyond your credit limit. Some credit cards charge a flat fee every month, whether you use your card or not.